

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Ulster County Industrial Development Agency  
Kingston, New York

We have audited the financial statements of Ulster County Industrial Development Agency, as of and for the year ended December 31, 2009, and have issued our report thereon dated May 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Ulster County Industrial Development Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ulster County Industrial Development Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ulster County Industrial Development Agency's internal control over reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ulster County Industrial Development Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompany schedule of findings and responses.

The Agency's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, the Board of Directors, State of New York, management and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

KIMBALL & O'BRIEN PC

By  Mary A. Kimball

May 20, 2010

**ULSTER COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
(COMPONENT UNIT OF THE COUNTY OF ULSTER)  
SCHEDULE OF FINDING AND RESPONSE  
DECEMBER 31, 2009**

FINDING

*Criteria* – Section 2800 (1)(a)(9) and Section 2800 (2)(a)(8) of the New York State Public Authorities Law (NYS PAL) require all public authorities to complete an annual assessment of the effectiveness of their internal control structures and procedures. The NYS Authority Budget Office (ABO) has developed recommended guidance to assist public authorities in complying with this requirement. The ABO has identified five major components of an internal control assessment.

*Condition* – The Ulster County Industrial Development Agency (UCIDA) has only addressed three of those components: (1) Defining the authority's major business function, (2) Assessing the extent to which the internal control system is effective, and (3) Taking corrective action if weakness is identified.

*Effect* – There has been no effect as the UCIDA is a very small organization with an extensive control system.

*Cause* – Management did not realize there were more steps in the process than just having the audit committee review activity on a quarterly basis.

*Recommendation* – We recommend that the UCIDA undertake and document the additional two components which consist of (1) Determining the risks associated with its operations and (2) Identifying the internal control systems in place in order to be in complete compliance with the NYS PAL.

*Views of responsible officials and planned corrective actions* – Management concurs with the finding. The UCIDA takes seriously its obligation to be in compliance with NYS Public Authorities Law. We will assess the risk exposure and associated vulnerability of each function and will identify the internal control systems in place. Based on that risk assessment we will determine how frequently to review the controls in place for each function.